

PETER S. FAVRO
160 SYMON ST.
TORONTO 14, CANADA

FACTS ABOUT UNITED STATES MONEY

Treasury Department

October, 1949.

Facts about United States Money

Historical

In the early days of our Nation, before United States money was issued, there were in circulation English shillings, French louisders, and Spanish doubloons, with other units of the money of those nations. This caused confusion and slowed up trade. The dollar was adopted by the Congress existing under the Articles of Confederation in 1785 as the unit of our money, and the decimal system as the method of reckoning. In 1792 the United States monetary system was established, and the United States Mint began coining money at Philadelphia in 1793.

Paper currency was used by our people even before the Declaration of Independence was signed. It was called Continental currency. Its value became so small that "Not worth a Continental" was a common saying. Paper money also was used after the adoption of the Constitution in 1789. It was not Federal currency but bank notes.

First coins of the United States were authorized in the Act of April 2, 1792, which provided for the establishment of the Mint and the issuance of the following coins:

GOLD: Eagles (each of the value of ten units or dollars), half eagles, quarter eagles;

SILVER: dollars, half dollars, quarter dollars, dimes and half dimes;

COPPER: cents and half cents.

Many changes in the laws governing coinage, and in the coins themselves have been made since the original act. Half dimes and half cents no longer are issued. At various times coins in the 3-cent denomination have been issued, first authorized in 1851. A 20-cent piece was coined for a time beginning in 1875. A 2-cent piece was coined from 1864-1873. The 5-cent coin was introduced in 1866. The Mints no longer coin or issue United States gold coins.

Prior to the Civil War, the only paper currency consisted of notes issued by banks operating under Federal or State charters. There was no federal paper currency.

The first paper money issued by the Government of the United States consisted of non-interest-bearing Treasury notes authorized under the Acts of July 17 and August 5, 1861, and February 12, 1862. These notes were in the following denominations: \$5, \$10, \$20.

The Act of February 25, 1862, authorized an issue of "United States Notes", popularly referred to as "greenbacks", or "legal tenders", in which the following denominations appeared: \$1, \$2, \$5, \$10, \$20, \$50, \$100, \$500, \$1,000.

As in the case of coins, many changes in the laws governing our currency have been made.

Coins and Currency as now Issued

The coins currently issued by the United States are standard silver dollars, subsidiary silver coins in denominations of fifty cents (half-dollar), twenty five cents (quarter-dollar), ten cents (dime), and minor coins in denominations of five cents (nickel), and one cent. Standard silver dollars are coined in such amounts as may be required by business, and to meet the demand for the redemption of silver certificates in that form of payment. No silver dollars have been coined since 1935. Subsidiary silver and minor coins are coined in such amounts as the business of the country may require. Gold coins are no longer coined or paid out by the United States.

The following table shows the metal content and the gross weight of each coin as now issued:

<u>Kind and denomination</u>	<u>Metal content (grains)</u>		<u>Gross weight (grains)</u>
	<u>Silver</u>	<u>Copper</u>	
Silver:			
Standard dollar	371.25	41.25	412.50
Half dollar	173.61	19.29	192.90
Quarter dollar	86.805	9.645	96.45
Dime	34.722	3.858	38.58
	<u>Copper</u>	<u>Nickel</u>	
Minor Coins:			
Five cents	57.87	19.29	77.16
	<u>Copper</u>	<u>Zinc and Tin</u>	
One cent	45.60	2.40	48.00

During 1943, a zinc-coated, steel cent was coined as a war-time metal saving measure. During the war the five cent piece contained 27.006 grains of silver, 43.2096 grains of copper and 6.9444 grains of manganese. The authority to mint the wartime five cent coins terminated December 31, 1945.

The paper currency now issued includes gold certificates (issued only to Federal Reserve Banks), silver certificates and United States notes, all issued by the Treasury, and Federal Reserve notes, issued by the Federal Reserve Banks under Government auspices. Former issues of Treasury notes of 1890 and gold certificates which remain outstanding appear in the money circulation figures; but these kinds of currency are canceled and retired on receipt in the Treasury. Federal Reserve Bank notes and National Bank notes are also in process of retirement; but these will continue in circulation until they are unfit for use. Outstanding old demand notes and fractional currency have been dropped from the circulation figures, but appear on the public debt statements as items of debt bearing no interest.

Gold certificates, Series of 1934, in denominations of \$100, \$1,000, \$10,000 and \$100,000 are issued only to Federal Reserve Banks against certain credits established with the Treasurer of the United States. These certificates are not paid out by Federal Reserve Banks, and do not appear in

circulation. They bear on their face the wording: "This is to certify that there is on deposit in the Treasury of the United States of America *** dollars in gold, payable to bearer on demand as authorized by law".

Silver certificates, in denominations of \$1, \$5 and \$10 are issued by the Treasurer of the United States against standard silver dollars, silver or silver bullion in the Treasury against which silver certificates are not already outstanding. When received in the Treasury on any account (except for redemption in standard silver dollars), they may be reissued.

United States notes, received on any account by the Treasurer of the United States, are reissued in denominations of \$2 and \$5. As required by the Act of May 31, 1878, the amount outstanding is maintained at \$346,681,016. A reserve in gold of \$156,039,430.93 is held in the Treasury against these notes and Treasury notes of 1890.

Federal Reserve notes are issued and retired with the varying requirements of the country for currency. They are issued in denominations of \$5, \$10, \$20, \$50, \$100, \$500, \$1,000, \$5,000 and \$10,000. Federal Reserve notes are obligations of the United States and are secured by the deposit with Federal Reserve agents of a like amount of gold certificates or gold certificate credits with the Treasurer of the United States, such discounted or purchased paper as is eligible under the terms of the Federal Reserve Act, and direct obligations of the United States. Federal Reserve Banks must maintain a reserve in gold certificates or gold certificate credits of at least 25 percent of these notes in actual circulation, including in this reserve the redemption fund, (equal to not less than 5 percent of the notes outstanding, less the amount of gold certificates held by the Federal Reserve agent as collateral) which must be deposited with the Treasurer of the United States and any gold certificate or gold certificate credits held as collateral.

Legal Tender

Under Title III of the Act of May 12, 1933, as amended by the Joint Resolution of June 5, 1933, all coins and currencies of the United States (including Federal Reserve notes and circulating notes of Federal Reserve Banks and National Banking Associations), theretofore or thereafter coined or issued are legal tender for all debts, public and private, public charges, taxes, duties and dues. Under

a Joint Resolution of August 27, 1935, dollar for dollar exchange of the coins, and currencies of the United States is provided.

How Money is Coined and Printed

The Nation's money is manufactured by the Treasury Department through the Bureau of the Mint, which produces coins, and the Bureau of Engraving and Printing, which produces paper currency and securities of the United States. The Secret Service Division of the Treasury Department is charged with the suppression of counterfeiting.

In coinage operations the first step is to prepare the alloy. In the case of silver coins the alloy consists of 100 parts of copper and 900 parts of silver. The alloy is melted in electric induction furnaces and poured into molds to form ingots. The ingots are in the form of thin bars.

The ingots are next put through rolling mills and reduced to strips of the required thickness. The strips are then fed into cutting presses. These presses cut circular blanks of the approximate dimensions of the finished coin. The blanks are run through annealing furnaces to soften them; next through tumbling barrels, rotating cylinders containing chemical solutions which clean and burnish the metal; and finally into centrifugal drying machines.

The blanks then go to the milling or "upsetting" machines, which produce the raised or "upset" rim.

Blanks for the silver coins, with the exception of dimes, are again separately weighed on automatic balances, and if found outside of legal limits are condemned and remelted. The dime, five-cent and one-cent blanks are not weighed separately, but frequent test weights of blanks are made. Scrap metal left when blanks are cut from the strips is returned for remelting, with checking at all stages of operations to prevent loss of metal. Next is the important operation of the stamping or coining press. The blank is held firmly by a collar as it is struck under pressure varying from 40 tons for one-cent pieces and dimes to 170 tons for silver dollars. Upper and lower dies impress the design on both sides of the coin at the same time. In the case of silver coins, the inside of the collar holding the blank is grooved. The pressure forces the metal into the grooves of the collar, imparting the "reeding" on the finished coin. This reeding makes it impossible for the coin to be shaved without detection.

Printing Paper Currency

The handiwork of artists and steel engravers, each an expert, with machinery designed especially for its work, combine in the production of currency and other imprints of the Bureau of Engraving and Printing. The result is a high type of work and strikingly low costs, considering the value of the products and the uses to which they are put.

When a new note or other engraved work is to be produced, a model is designed by an artist in the engraving division. The design is based upon discussion of officials of the Government branches interested in the product. The model finally must be approved by the Secretary of the Treasury.

The design is reproduced in soft steel by engravers. Separate portions, such as the portrait, vignette, ornaments and lettering, are commonly engraved separately by specialists. Each works with a steel tool known as a graver, aided by a powerful magnifying glass. The finished engraving, known as a die, is heated in cyanide of potassium and dipped in oil or brine to harden it. The die is then placed on the bed of a transfer press, and, under heavy pressure, a cylinder of soft steel, called a roll, is rolled over it. The engraving is thus transferred to the roll, in the softer metal of which the lines of the original stand out in relief. Next the steel of the roll is hardened and the design is transferred to soft steel plates, again by rolling under great pressure. These plates, with the design in the intaglio or cut-in impression as on the original die, are hardened and cleaned, and are ready for the printer. The original die may be used to produce numerous rolls, and each roll is available to make additional plates as those in service become worn.

An electrolytic process for duplicating plates has also been developed in the Bureau.

Ink for printing is mixed in the Bureau. Distinctive paper used in printing currency and securities, prepared under a special formula, is procured by the Treasury Department from a private contractor, and is drawn by the Bureau in packages of 1,000 sheets each, from the Treasury's Division of Paper Custody. The paper goes first to the wetting division, which counts and then moistens the paper. Especially designed machinery has been used for wetting since 1911, the work previously having been done by hand.

The sheets are seasoned for several days, and then are ready for printing on flat-bed presses, power-driven, each operated by a pressman and two assistants. Four plates, each plate reproducing the design for twelve notes, are clamped on each press. The plates are inked by hard rubber rollers. Surplus ink is removed by a device known as a wiper, and by hand, with the result that ink is left only in the etched lines of the design. The plates are then pressed against the moistened paper, which absorbs the ink, making it an integral part of the note. The backs of twelve notes are thus printed on each sheet. Similar procedure is followed in printing the faces of the notes. The sheets, when they have been printed on both sides, are put through a sizing operation which improves the finish of the currency and strengthens the paper by making it more resistant to dirt, grease and wear. The final printing operation is to print the seals and numbers. In the case of some notes the signatures of the Secretary of the Treasury and the Treasurer of the United States are printed in facsimile in connection with the numbering and sealing; in other cases these signatures are included in the die engraved for the face of the note. The sealing and numbering operation includes separation of the sheets into notes, and they come from the machine counted into packages of 100.

Faces and backs of bonds, notes, and other securities are plate-printed, following a process similar to that used for currency.

Currency and Coin Designs

Determination of designs used on our paper currency, including the selection of portraits, is a responsibility of the Secretary of the Treasury, who acts with the advice of responsible Division heads, such as the Director of the Bureau of Engraving and Printing and the Commissioner of the Public Debt. By tradition, portraits used on our present paper money are those of deceased statesmen whose places in history are well known to the American people.

The first regular issue of United States currency, the Treasury notes (commonly known as demand notes) issued in 1861 carried the portrait of Alexander Hamilton on the \$5 denomination and that of Abraham Lincoln on the \$10 denomination.

Selection of designs for our coins is made by the Director of the Mint with the approval of the Secretary of the Treasury. Congress has, in a few instances, prescribed a coin design, such as in the case of the Washington bi-centennial 25-cent piece issued from 1932 to date, which was required to bear the portrait of our first President. Except where Congress determines otherwise, the design on a coin may not be changed oftener than once in 25 years.

The Benjamin Franklin 50-cent piece released April 30, 1948, constitutes the fifth "portrait" coin in our present regular series. The others are the one cent piece, with the head of Lincoln, adopted in 1909, the five cent piece, honoring Jefferson, adopted in 1938, the twenty-five cent coin, with Washington's profile, first minted in 1932, and the Franklin D. Roosevelt dime, introduced in 1946.

The Lincoln cent was the first portrait coin of a regular series minted by the United States. The occasion of the 100th anniversary of Lincoln's birth aroused sentiment sufficiently strong to overcome a long-prevailing popular prejudice against the use of portraits on the coins.

Portraits of living persons on our coins are extremely rare, being confined to a few commemorative issues of limited minting.

"In God We Trust"

The motto, "In God We Trust", first appeared on a coin of the United States in 1864, and owes its presence there largely to the increased religious sentiment existing during the Civil War. Salmon P. Chase, then Secretary of the Treasury, received a number of appeals from devout persons throughout the country urging that the Deity be recognized suitably on our coins in a manner similar to that commonly found on the coins of other nations.

Accordingly, on November 30, 1861, Secretary Chase in a letter to the Director of the Mint at Philadelphia directing such a device, stated that "No nation can be strong except in the strength of God, or safe except in His defense."

The familiar form of the motto finally was decided upon, but its use has not been uninterrupted, and it has not appeared on all coins of all series. It first appeared on a new 2-cent piece in 1864. In 1866, double-eagle, eagle and half-eagle gold coins and silver dollar, half-dollar and quarter-dollar pieces bearing the motto were introduced. The nickel five-cent piece bore the motto from 1866 to 1883, when it was dropped, and not restored until the introduction of the Jefferson nickel in 1938. It first appeared on the cent in 1909, and on the dime in 1916, and has continued in use on those coins since.

Paper Currency Features

Those design features of United States paper currency that have historical or idealistic significance, as distinct from purely ornamental or security implications, include the following:

1. The Treasury Seal.

The Great Seal of the Treasury, imprinted upon the face of money and official Treasury documents, is older than the Constitution of the United States. The seal was designed under the direction of a committee appointed September 26, 1778, and composed of John Witherspoon, Gouverneur Morris and Richard Henry Lee. The date of the Great Seal's adoption is not known, but the seal is affixed to documents issued in 1782. The design includes a shield on which appear the scales of justice; a key, the emblem of official authority; and thirteen stars for the original States. A Latin legend circularly enclosing the shield reads "Thesaur.Amer.Septent. Sigil.," an abbreviation of "Thesauri Americae Septentrionalis Sigillum," meaning "The Seal of the Treasury of North America."

ANNUIT COEPTIS = PROSPER OUR BEGINNINGS

2. The Great Seal of the United States, which is reproduced on the reverse of the \$1 silver certificate.

NOVUS ORDO SECLORUM = A NEW ORDER OF THE AGES.

3. The portraits of great Americans used on the face of currency.

4. Pictures of famous buildings or monuments used on the reverse of some of the currency.

NEW
COIN COLLECTING
P. 31-32

Regardless of the type of currency, all those of the same denomination bear the same portrait. Designs on United States currency now being issued are as follows:

<u>Denomination</u>	<u>Portrait</u>	<u>Back</u>
\$1	Washington	Obverse and Reverse of Great Seal of the United States
\$2	Jefferson	Monticello
\$5	Lincoln	Lincoln Memorial
\$10	Hamilton	U. S. Treasury Building
\$20	Jackson	White House
\$50	Grant	U. S. Capitol
\$100	Franklin	Independence Hall
\$500	McKinley	Ornate Five Hundred
\$1000	Cleveland	Ornate One Thousand
\$5000	Madison	Ornate Five Thousand
\$10,000	Chase	Ornate Ten Thousand
\$100,000	Wilson	Ornate Hundred Thousand

The \$100,000 denomination is a gold certificate issued only to Federal Reserve Banks. It does not enter into circulation.

No letters, numbers, or symbols on any of the currency issued under the authority of the United States has any sectarian significance whatsoever.

Yellow Seal and Hawaiian Series

United States silver certificates printed with the Treasury seal in yellow, rather than the usual blue were used in the initial stages of our military operations in North Africa and Sicily. The distinctive seal was adopted to facilitate isolation of the currency in event that military reverses caused any substantial amounts to fall into enemy hands. Denominations issued were \$1, \$5, and \$10.

Circulation of the yellow seal currency was confined for some time to the military zones of operation, but subsequently restrictions against its circulation in the United States were removed. Except for the yellow seal, it is identical with other United States money of the same type.

Currency bearing the word "Hawaii" as an overprint and having the Treasury Seal in brown, was used in the Islands and in certain Pacific military operations. This currency now is permitted to circulate freely in the United States. The issues were \$1 silver certificates and \$5, \$10, and \$20 San Francisco Federal Reserve Notes.

Star Notes

The Treasury frequently is asked the significance of the star that appears in front of the serial number of some pieces of United States currency.

When a note is mutilated in the course of manufacturing it has to be replaced. To replace it with a note of exactly the same number as that on the imperfect specimen would require the use of a special machine, and would be costly and delaying. In consequence, "star" notes are substituted. Except that they have their own special serial number and a star, these notes are the same as the others, and, of course, worth only the face value. On United States notes and silver certificates, the star is substituted for the prefix letter; on Federal Reserve notes, for the suffix letter.

A "star" note also is issued for the 100,000,000th note in a series since eight digits are the maximum practicable in the mechanical operation of numbering machines.

The \$ Sign

The origin of the \$ sign has been variously accounted for, with perhaps the most widely accepted explanation being that it is the result of evolution, independently in different places, of the Mexican or Spanish "P's" for pesos, or piastres, or pieces of eight. The theory, derived from a study of old manuscripts, is that the "S" gradually came to be written over the "P", developing a close equivalent of the \$ mark, which eventually evolved. It was widely used before the adoption of the United States dollar in 1785.

Size of Currency

Currency of the present size was issued first in July, 1929, replacing the old, larger notes. The present size of a finished note is approximately 2.61 inches by 6.14 inches, and the thickness is .0043 inch. New notes will stack 233 to one inch.

How Money Enters Circulation

The supply of our coins is governed by demand. They are manufactured by the three coinage mints, located at Philadelphia, Denver, and San Francisco, but the responsibility of distribution rests with the Treasurer of the United States. The Federal Reserve Banks make requisition upon the Treasurer of the United States for the denominations and amounts required to meet the demands of business and the Treasurer, in turn, arranges with the Mints for shipment of the coins to the Federal Reserve banks. The accounting procedure and further steps in distribution are the same as described below for paper currency.

Paper currency is manufactured at the Bureau of Engraving and Printing. There are three types of paper currency currently being furnished to banks for circulation; United States silver certificates, United States notes, and Federal Reserve notes. The distribution of currency is made through the Federal Reserve Banks and Branches, and by the Treasury.

Member banks of the Federal Reserve System carry their reserve accounts with the Federal Reserve Bank of their district, and when they need additional currency they authorize the Federal Reserve Bank to charge their reserve account and ship the currency to them. The Federal Reserve Banks will ship on such requests such currency as is required.

The Federal Reserve Banks procure the currency by two methods. Where United States silver certificates or United States notes are required, they make request upon the Treasurer of the United States and shipments are made to the Federal Reserve Banks as a transfer of funds for credit of the Treasurer's account. The Federal Reserve Banks then make the distribution to banks in their district.

If they require other than United States Notes or Silver Certificates, the Federal Reserve Banks procure Federal Reserve Notes by tendering to their Federal Reserve Agent the necessary collateral, which may be United States obligations, discounted or purchased paper eligible under the terms of the Federal Reserve Act, as amended, or gold certificates. The Federal Reserve Bank must maintain a reserve of gold certificates or gold certificate credits of at least 25 percent of these notes in actual circulation. Banks not members of the Federal Reserve System may procure new currency also by remitting old currency to the Federal Reserve Banks in exchange for new. Usually non-member banks procure their currency through a correspondent member bank located in the same city with the Federal Reserve Bank.

While a member bank of the Federal Reserve System may have rediscounted paper lodged with the Federal Reserve Bank, it does not necessarily follow that it will procure new currency against such collateral. The collateral may be discounted and the proceeds placed to the credit of the member bank in its reserve account against which it may draw for new currency as required. The Federal Reserve Banks use such collateral to procure new Federal Reserve notes from the agent as their needs require. When Federal Reserve notes, United States silver certificates, or United States notes become unfit for further circulation, they are received by the Federal Reserve Banks for credit or remittance to the remitting banks. The Federal Reserve notes are canceled and forwarded to the Treasurer of the United States for verification and destruction, but the silver certificates and United States notes are canceled, charged in the Treasurer's account as redeemed and forwarded to the Treasury for audit and destruction. It will be seen that there is a constant issuance and replacement of paper currency by the process described.

Exchange of Mutilated Paper Currency

Lawfully held paper currency of the United States (including national bank notes and Federal Reserve bank notes in process of retirement and Federal Reserve notes) when not so mutilated that less than three-fifths of the original proportions remain, will be exchanged at its face amount. Such lawfully held paper currency, when so mutilated that less than three-fifths but clearly more than two-fifths of the

original proportions remain, is exchangeable only by the Treasurer of the United States, at one-half the face amount of the whole note or certificate: Provided, however, that it may be exchanged at face amount upon compliance with the provisions of the following paragraph. Fragments not clearly more than two-fifths are not exchangeable, unless accompanied by the evidence required in the following paragraph.

Fragments less than three-fifths, when identifiable as to denomination, kind, and genuineness, are exchangeable at the face amount of the whole note, only by the Treasurer of the United States, when accompanied by satisfactory proof that the missing portions have been totally destroyed. This proof should be in the form of an affidavit from the owner setting forth that he is the owner and the cause and manner of destruction. If, however, the owner cannot of his own knowledge swear to the facts as to destruction, an affidavit or affidavits from any other person or persons having knowledge of the facts will also be required.

Charred fragments which can be identified may be redeemable, but ashes are worthless for redemption purposes.

As To Premium On Currency

The Treasury Department makes no distinction between the various issues of coin and paper currency of the United States, neither receiving nor paying a premium in any case.

Correspondence in relation to premium coins should be addressed to some of the private Coin Dealers to be found in all large cities.

Notes issued by the Confederate States during the Civil War and the various States or State Banks, are not redeemable by the United States.

Foreign currency (either coin or paper) is neither receivable nor redeemable by the United States, except that foreign gold coins imported in accordance with the Gold Regulations are receivable at the gold bullion value.

Acquisition of Silver

The coinage mints accept newly-mined domestic silver when offered at a return to the depositor set by statute. In addition, the Secretary of the Treasury is authorized by statute to buy silver at home or abroad upon such terms and conditions as he may determine to be reasonable and most advantageous to the public interest.

When such silver is coined into standard silver dollars, or when silver certificates are issued against it, it is revalued at the monetary basis of \$1.29 $\frac{1}{2}$ per fine ounce, with the "profits", known as seigniorage being credited to the general fund of the Treasury. When coined into subsidiary coins (halves, quarters, and dimes), it has a value of \$1.38 $\frac{1}{2}$ per fine ounce and the "profit" or seigniorage is likewise credited to the general fund of the Treasury.

Gold, and the U. S. Monetary Standard

The United States gold dollar is defined by Presidential Proclamation as containing 15-5/21 grains of gold 9/10 fine, which is 1/35 of a fine ounce. Gold is received by United States mints and assay offices at \$35 per fine ounce, which is the monetary value of gold based on the present content of the gold dollar (less 1/4 of 1 percent and regular mint charges) and is released at the same price (plus 1/4 of 1 percent and regular mint charges), principally for the settlement of international balances.

The gold dollar is the standard unit of value of the United States, and the Secretary of the Treasury is required to maintain all forms of money issued or coined by the United States at parity with the gold dollar. However, the Government does not issue any gold coin, does not permit the hoarding of gold, and issues gold certificates only to Federal Reserve Banks. The present monetary system of the United States is at least in these respects different from the gold standard system in operation prior to April 1933. The present system is sometimes described as a "gold bullion standard" or a "modified gold standard" system.